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The Effects of Malpractice on Medical Specialties

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Poster Presentation P14

THE EFFECTS OF MALPRACTICE ON MEDICAL SPECIALTIES

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In today's world, individuals highly utilize the law as a resource for blame and compensation. For economists, the increased volume and severity of tort litigation is a topic of concern because it means that vast amounts of wealth are tied up in transfer activity and thus removed from the production possibilities of the economy. Specifically, this paper examines malpractice lawsuits. The frequency and magnitude of malpractice claims have risen dramatically since the late 1960s, producing higher insurance premiums for doctors and leading to what some refer to as the "malpractice insurance crisis." With an estimated 50% of all physicians having to serve as either defendants or expert witnesses in malpractice suits during their careers, medical students are showing concern about this added risk to their future occupations. Therefore, this project concentrates on the effects of the growth of medical malpractice suits on the medical labor market. By running two separate regressions, low-risk and high-risk medical specialties are compared to see how sensitive they are to malpractice. While the medical malpractice system is supposed to provide incentives for physicians to take appropriate precautions in medical treatment, this paper finds that malpractice is actually acting as a supply shock in the medical labor market, causing risk averse medical students to shy away from more highly specialized fields.